



TESTIMONY PRESENTED TO THE COMMERCE COMMITTEE

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House Bill No. 5127: An Act Establishing the JobsCT Tax Rebate Program

Senator Hartley, Representative Currey, Senator Martin, Representative Buckbee and members of the Commerce Committee. My name is David Lehman, and I am commissioner of the Department of Economic and Community Development (DECD). I appreciate this opportunity submit testimony on H.B. 5127 An Act Establishing the JobsCT Tax Rebate Program. We appreciate the committee for raising this bill, and we support the legislature's efforts to more efficiently use incentive programs to grow the state's economy. This bill will support business growth and job creation while reducing the per job cost to the state.

As you know, our mission at DECD is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, and preserving and promoting Connecticut's arts, cultural, and tourism assets.

Historically, the state has offered different incentive programs to attract and support businesses in Connecticut. Small businesses have been able to access grants and loans through Small Business Express. Medium and large businesses have been incentivized by providing upfront grants and forgivable loans through the Manufacturers Assistance Act (MAA). Prior to the Lamont Administration, the MAA has averaged \$200 million in annual bonding and cost the state an average of \$18,000 per job. H.B. 5127, if passed, will cut the amount of bonding required to incentivize by close to 70%, and the cost of the program will be \$5,000-\$10,000 per job created.

Summary of H.B. 5127

Eligible employers (a) who create a minimum of 25 new full-time equivalent (FTE) positions (b) with salaries that are 85% of the median household income of the municipality where the jobs will be located, with a minimum of \$37,500, and c) are in a JobsCT focus industry, can be rebated 25% of the withholding taxes from the new FTEs for up to 7 years, starting in month 25 up to month 108. The program will have 5 years of benefit as the standard, with years 6 and 7 at the discretion of the commissioner of



DECD. Jobs lost as a result of the COVID-19 pandemic do not count towards the minimum 25 new FTEs.

In addition, if an employer locates and grows new FTEs in one of Connecticut's Opportunity Zones or Distressed Municipalities, the employer is eligible to retain 50% of the withholding taxes over the same time period.

The Commissioner of DECD shall give priority to applicants for economic development financial assistance who demonstrate a willingness, as determined by the commissioner, to make jobs available to unemployed individuals, low-income individuals, dislocated workers, displaced homemakers, individuals training for nontraditional employment, veterans and individuals with disabilities to the extent consistent with any state or regional economic development strategy.

The minimum rebate per job per year is \$1,000 with a cap of \$5,000, and rebates issued by DECD and claimed by eligible employers may not exceed \$40 million in any fiscal year. Rebate can be applied against Corporation or Pass-Through Entity Tax liabilities, or as an offset against Insurance Companies Tax. The rebate must be claimed in the calendar year that it is issued and is refundable if employer does not have sufficient tax liability.

The focus areas for Jobs CT will be:

- Financial Services
- Insurance
- Manufacturing
- Clean Energy
- Bioscience
- Technology
- Digital Media

Reasons for H.B. 5127

A simple, transparent, targeted, earn-as-you-grow incentive program for businesses to expand in or relocate to Connecticut.

Transparent – A clear and simple incentive for companies to evaluate when considering growing in or re-locating to Connecticut. No “black box.”

Performance-Based – Benefit is earned as jobs are created and maintained over time, which eliminates any credit or counterparty risk.



Targeted – Industries and focus areas are strategic. They build on our strengths of today and ecosystems we want to grow in our economy of tomorrow. There is no “picking winners,” and all eligible employers within the focus areas will benefit.

Impacts of H.B. 5127

Significant Reduction in Bonding – Previous economic incentives required an average of \$200 million in bonding per year. DECD has been able to reduce its bonding by close to 70%, and once the program is fully implemented, it will not require any additional bonding.

Paying Less per Job – Under the previous incentive programs, the state paid over \$16,000 per job on average. We anticipate the cost per new job in the focus areas to be between \$5,000 and \$10,000, depending on FTE wage.

Focus on Distressed Municipalities and Opportunity Zones – While companies around the state that grow 25 jobs or more are eligible for a 25% income tax rebate, those that locate or expand in distressed municipalities or Opportunity Zones are eligible for a 50% rebate. We believe this added incentive will help drive investment and job creation to areas of the state that will have the most impact.

Incentivizing Good Paying Jobs – The additional requirements for companies to pay their employees 85% of the median household income of the municipality where the jobs will be located is designed to ensure we are focused on raising incomes and not incentivizing low paying jobs. Additionally, the program’s \$1,000 rebate minimum ensures all eligible companies that are relocating to or expanding in the state receive a minimum benefit, which ensures we stay competitive with neighboring states.

Supporting Companies that Hire Individuals from Disadvantaged Backgrounds – H.B. 5127 proposal allows companies that hire a large proportion of their employees from disadvantaged backgrounds, such as the formerly incarcerated, to participate in the program even if the jobs created at the companies don’t otherwise meet the 85% of median household income requirement.

Thank you for your time and consideration. I am happy to answer any questions that you may have.